

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4505S.01P
 Bill No.: Perfected SB 953
 Subject: Department of Natural Resources; State Departments
 Type: Original
 Date: February 18, 2026

Bill Summary: This proposal modifies provisions relating to the expenditure of moneys in certain funds by the Department of Natural Resources.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0	More or Less than (\$4,224,349)	More or Less than (\$4,224,349)
Total Estimated Net Effect on General Revenue	\$0	More or Less than (\$4,224,349)	More or Less than (\$4,224,349)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Air Pollution Fee Fund Subaccount (1594)	\$0	More or Less than \$3,148,149	More or Less than \$3,148,149
Missouri Air Emission Reduction Fund (1267)	\$0	\$0 or More or Less than \$1,076,200	\$0 or More or Less than \$1,076,200
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	More or Less than \$4,224,349	More or Less than \$4,224,349

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0 FTE	0 FTE	0 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§640.220 & 643.350 – Department of Natural Resources Funds

Officials from the **Department of Natural Resources (DNR)** state that the bill text at 640.220.2. adds new language that would prevent unexpended funds from the Natural Resources Protection Fund to be reverted to the general revenue fund of the state beginning July 1, 2027. Currently, any unexpended funds in the subaccounts of the Natural Resources Protection Fund are reverted to general revenue by the amount that exceed the preceding biennium's collections. This provision for reverting unexpended funds from the Natural Resources Protection Fund into the general revenue fund has not been triggered in the last ten (10) years for any of the Air Pollution Control Program subaccounts. However, it is unknown what impact the bill language may have in future years. In the event the bill language would prevent funds in the air program subaccounts of the Natural Resources Protection Fund from reverting to the general revenue fund in the future, it would not impact total state revenue, but it would result in a decrease in general revenue and an increase in funding for the air program subaccounts of the Natural Resources Protection Fund. Therefore, the fiscal impact to the department as a result of this provision in the bill is \$0 to unknown.

The bill text at 640.220.3 adds new language that would redirect five percent of the sales and use tax derived from the electric power sector (NAICS code 221122) from the state's general revenue fund to the air pollution permit fees subaccount of the natural resources protection fund. During the five-year period from FY21 – FY25, the average annual value equal to five percent of these sales and use taxes is \$3,148,149. While this language would not affect total state revenue, it is expected that each year starting in FY2028, department funding for the Air Pollution Control Program would increase by this amount, and the state's general revenue fund would decrease by this amount because of the bill. This amount will vary each year and may increase over time depending on the actual sales and use tax collected from the electric power sector (NAICS code 221122).

The bill text at 643.350.4. removes existing statutory language. The removal of the language would prevent fees collected for the Missouri Air Emission Reduction Fund for our Gateway Vehicle Inspection Program (GVIP) to be redirected to the general revenue fund of the state beginning July 1, 2027. Currently, all fees collected through this program between January 1st thru June 30th may be redirected to the general revenue fund if in the immediately preceding fiscal year, the state's net general revenue did not increase by two percent or more. Due to the condition in the current statute for redirecting funds from GVIP fees to general revenue (i.e. general revenue does not increase by two percent or more from the previous year), the GVIP fees are not redirected to general revenue every year. Since 2010, this condition has been met several times, where GVIP funds from January through June were redirected to general revenue. In two of the more recent years in which this happened (2020 and 2021), the average funding amount redirected from GVIP fees to general revenue was \$1,076,200 per year. FY 2024 General

Revenue (GR) collections increased by 1.5% compared to FY 2023 collections which would trigger a revenue redirect in FY25. The department requested the Office of Administration approve an exemption from the redirection of GVIP funds for FY25, but this request was not approved. The department is preparing to request another exemption from the revenue redirect in FY26 due to GR revenues below 2% the prior fiscal year. It is unknown in which future years that general revenue will not increase by two percent or more and thus trigger the GVIP fees to be redirected to general revenue from January through June based on the current statutory text, but with this bill language, the funds would not be redirected to general revenue in any year starting July 1, 2027, even if this condition is met. Therefore, the department is estimating a range in fiscal impact from \$0 - \$1,076,200 each year starting in fiscal year 2028 due to this provision in the bill. The fiscal impact range does not impact total state revenue, but any positive amount would increase department revenue and decrease general revenue by the amount that is not redirected.

Fiscal Impact Summary:

640.220.2

FY 27: No impact

FY 28 and beyond: \$0 to unknown increase to Air Pollution Permit Fee Fund Subaccount (Fund 1594) and corresponding decrease of \$0 to unknown to General Revenue.

640.220.3

FY 27: No impact

FY 28 and beyond: The annual impact is estimated at approximately \$3,148,149 decrease in General Revenue and a corresponding increase of approximately \$3,148,149 to the Air Pollution Permit Fee Fund Subaccount (Fund 1594). Amount is based on a 5-year average of the annual sales and use taxes collected from the power sector.

643.350.4

FY 27 No impact

FY 28 and beyond: \$0 - \$1,076,200 increase each year starting in fiscal year 2027 to the Missouri Air Emission Reduction Fund (Fund 1267) with a corresponding decrease of \$0 - \$1,076,200 to General Revenue

Total

FY 27: No impact

FY 28 and beyond: \$3,148,149 - \$4,224,349 increase for Department with corresponding decrease of \$3,148,149 - \$4,224,349 for General Revenue.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR as more or less than in the fiscal note.

Oversight notes there was a balance of \$3,534,779 in the Air Pollution Permit Fee Fund Subaccount (1594) as of December 31, 2025.

Oversight notes there was a balance of \$1,920,987 in the Missouri Air Emission Reduction Fund (1267) as of December 31, 2025.

Officials from the **Department of Revenue (DOR)** state that currently the Department of Natural Resources receives funding that is placed in subaccounts. These subaccounts are set up to periodically to revert any remaining revenue to general revenue. Section 640.220.2 of this proposal would starting July 1, 2027, allow the subaccounts to keep their revenue and not be subject to the sweep of funds. DOR defers to the DNR for the impact on the subaccounts.

Section 640.220.3 starting July 1, 2027, and each year thereafter would require that the Commissioner of the Office of Administration determine the amount of general revenue received from the state sales and use tax for electric power distribution from companies registered under the NAIC code 221122. Five percent of this funding is to be transferred to the air pollution permit fee subaccount annually.

The NAIC code 221122 are the companies that engage in either (1) operating electric power distribution systems or (2) operate as electric power brokers or agents that arrange the sale of electricity. DOR notes that as of August 28, 2024, electricity distribution is exempt from sales and use tax. However, this bill requires that companies registered with the NAIC code 221122 have their tax subject to this proposal.

Given that electricity distribution became exempt from sales tax in August 2024, DOR does not have enough information to determine how much of the funds listed under NAIC code are for electric distribution and how much is from other things these companies do. The NAIC code 221122 may have sales tax from other NAIC codes listed in it, as companies only use one code to register with DOR for sales tax. DOR cannot predict how many companies previously registered under NAIC code 221122 would change their registered NAIC code to account for other work companies do. Nor can DOR account for the number of locations that the companies own that exclusively do electric power generation and can be removed from their locations list for sales tax reporting. Therefore, DOR is unable to predict how much may actually be transferred per this proposal.

DOR records show that several companies are registered using the NAIC code of 221122. In FY 2024 companies submitted taxable sales equal to \$1,972,576,941. The DOR assume that some of this funding may be available to transfer. The general revenue portion of the state sales tax 3%. That would result in state sales tax for general revenue of \$59,177,308. This proposal would allow up to 5% of that amount to be transferred to these subaccounts. This proposal could result in up to \$2,958,865 being transferred.

DOR assume this proposal would require DOR to still deposit the sales tax money the DOR receives into general revenue per current procedures and then the Commissioner of Administration would move it. Therefore, this will not fiscally impact DOR.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding this proposal:

Section 640.220 – Power Distribution Sales Tax Transfer

Beginning FY28, this section would require OA to determine how much GR sales tax was collected in the prior calendar year from NAICS code 221122 (electric power distribution). The Treasurer shall then transfer 5% of the amount collected to the Air Pollution Permit Fees fund. Monies in the fund will no longer revert to GR at the end of the biennium and monies shall only be used to operate the air pollution control program.

B&P notes that in FY25, taxable sales attributable to NAICS 221122 were \$2,210,219,165. This would indicate that about \$66,306,575 ($\$2,210,219,165 \times 3\%$) in GR sales tax was collected. Therefore, B&P estimates that approximately \$3,315,329 ($\$66,306,575 \times 5\%$) could be transferred from GR to the Air Pollution Permit Fee fund annually, starting with FY28.

Section 643.350.4 - Inspection fee — contractor to remit portion, deposit in Missouri air emission reduction fund, use of, balance not to lapse — moneys may be deposited into general revenue fund, when — supplementation of funds.

DNR reported that six redirections of funds have occurred between FY 2010 and FY 2024, averaging \$1,012,490. An FY 2025 redirection should have been \$1,041,734 but did not happen and will be a transfer to GR in FY 27. Another redirection is expected for FY 2026 of approximately \$1.05M. DNR reported that the Missouri Air Emission Reduction Fund (1267) will become insolvent with the latest two redirections at this level.

Officials from the **Office of Administration** and **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss</u> – (§640.220.2) Unexpended balance within the Natural Resources Protection Fund subaccounts no longer reverting to General Revenue. p.3-4	\$0	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Loss</u> – (§640.220.3) Redirect of 5% of the sales and use tax derived from the electric power sector to the Air Pollution Permit Fee Subaccount p.3-4	\$0	More or Less than (\$3,148,149)	More or Less than (\$3,148,149)
<u>Revenue Loss</u> - (§640.350.4) GVIP funds no longer being reverted to General Revenue. p.3-4	\$0	\$0 or More Less than (\$1,076,200)	\$0 or More Less than (\$1,076,200)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE	<u>\$0</u>	More or Less than <u>(\$4,224,349)</u>	More or Less than <u>(\$4,224,349)</u>
AIR POLLUTION PERMIT FEE FUND SUBACCOUNT (1594)			
<u>Savings</u> – (§640.220.2) Unexpended balance within the Natural Resources Protection Fund subaccounts no longer reverting to General Revenue. p.3-4	\$0	\$0 to Unknown	\$0 to Unknown
<u>Revenue Gain</u> – GR (§640.220.3) Redirect of 5% of the sales and use tax derived from the electric power sector p.3-4	<u>\$0</u>	More or Less than <u>\$3,148,149</u>	More or Less than <u>\$3,148,149</u>
ESTIMATED NET EFFECT ON THE AIR POLLUTION PERMIT FEE FUND SUBACCOUNT (1594)	<u>\$0</u>	More or Less than <u>\$3,148,149</u>	More or Less than <u>\$3,148,149</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
MISSOURI AIR EMISSION REDUCTION FUND (1267)			
<u>Savings</u> – DNR (§640.350.4) GVIP funds no longer being reverted to General Revenue p.3-4	<u>\$0</u>	\$0 or More or Less than <u>\$1,076,200</u>	\$0 or More or Less than <u>\$1,076,200</u>
ESTIMATED NET EFFECT ON THE MISSOURI AIR EMISSION REDUCTION FUND (1267)	<u>\$0</u>	\$0 or More or Less than <u>\$1,076,200</u>	\$0 or More or Less than <u>\$1,076,200</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under the act, before June 30, 2027, any unexpended balance in the subaccounts of the Natural Resources Protection Fund exceeding the preceding biennium's collections shall revert to the general revenue fund at the end of each biennium.

Beginning July 1, 2027, any unexpended balance in the subaccounts of the Fund that exceeds the preceding biennium's collections shall not revert to the general revenue fund.

Beginning July 1, 2027, and annually on July 1 of each succeeding year, the Commissioner of Administration shall use taxable sales reports to estimate the amount of state general revenue sales and use tax derived from electric power distribution in the immediately preceding calendar year and shall report such amount to the state treasurer. The state treasurer shall transfer certain amounts from the general revenue sales as described in the act.

The act repeals certain provisions relating to the transfer of funds from the Missouri Air Emission Reduction Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Natural Resources
Department of Revenue
Office of Administration
Office of the State Treasurer



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